

**CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES
(Egyptian Joint Stock Company)**

**LIMITED REVIEW REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED
30 SEPTEMBER 2016**



CLEOPATRA HOSPITAL AND ITS SUBSIDIAREIS (S.A.E.)

**Consolidated financial statements
For the nine months period ended 30 September 2016**

Index	Page
Limited review report	1
Consolidated statement of financial position	2
Consolidated statement of income	3
Consolidated statement of comprehensive income	4
Consolidated statement of changes in shareholders' equity	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7 - 47



Limited review report on the interim financial statements

To: The Directors of Cleopatra Hospital S.A.E.

Introduction

We have reviewed the consolidated financial statements of Cleopatra Hospital Company "S.A.E" and its subsidiaries ("the Group") representing the consolidated statement of financial position as at 30 September 2016, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the nine months period then ended, and a summary of the significant accounting policies and other notes to the financial statements. The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our limited review.

Scope of limited review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Review of Interim Financial Statements Performed by the Auditor of the Entity". A limited review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 September 2016 and its financial performance and its cash flows for the nine months period then ended in accordance with the Egyptian Standards on Auditing.

Emphasis of matter

The corresponding figures for the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the period from 1 January 2015 to 30 September 2015 were not reviewed and no limited review report was issued thereon. It should be taken into consideration that the requirements of financial reporting framework of the corresponding figures were complied with, while the corresponding figures in the statement of financial position represent the figures of 31 December 2015, which were audited and an unqualified report dated 6 April 2016 was issued.

Ahmed Gamal El-Atrees
R.A.A. 8784
E.F.S.A. 136
Mansour & Co. PricewaterhouseCoopers



17 November 2016
Cairo

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of financial position - At 30 September 2016

(All amounts in Egyptian Pounds)

	Note	30 September 2016	31 December 2015
Assets			
<u>Non-current assets</u>			
Fixed assets	6	374,807,682	267,049,952
Intangible assets	7	247,717,538	97,195,020
Total non-current assets		622,525,220	364,244,972
<u>Current assets</u>			
Held-to-maturity investments	8	-	38,080
Inventories	9	29,472,289	15,517,957
Trade receivables	10	129,502,182	89,986,584
Debtors and other debit balances	11	22,664,092	18,282,142
Cash on hand and at banks	12	436,448,500	109,906,869
Total current assets		618,087,063	233,731,632
Total assets		1,240,612,283	597,976,604
<u>Equity and liabilities</u>			
<u>Equity attributable to owners of the parent</u>			
<u>Company</u>			
Saher capital	16	100,000,000	80,000,000
Reserves	17	297,516,765	(62,303,508)
Retained earnings		136,770,094	108,270,052
Total equity of the parent company		534,286,859	125,966,544
Minority / non-controlling interests	18	40,846,106	33,250,055
Total equity		575,132,965	159,216,599
<u>Non-current liabilities</u>			
Non-current portion of borrowings	15	346,362,640	162,400,000
Creditors and other credit balances- Non current portion	14	-	47,379,723
Deferred tax liabilities	26	56,897,995	43,802,580
Total non-current liabilities		403,260,635	253,582,303
<u>Current liabilities</u>			
Provisions	13	32,844,886	19,890,797
Creditors and other credit balances	14	149,802,348	92,550,296
Current portion of borrowings	15	53,967,716	40,600,000
Current income tax liabilities	25	25,603,733	32,136,609
Total current liabilities		262,218,683	185,177,702
Total liabilities		665,479,318	438,760,005
Total shareholders' equity and liabilities		1,240,612,283	597,976,604

The accompanying notes on pages 7 - 47 from an integral part of these financial statements.


Mr. Khalid Hassan Ahmed
Group Head of Finance


Dr. Ahmed Ezzeddine Mahmoud
CEO & Managing Director


Dr. Mohamed Tarek Zahed
Chairman - Non Executive

17 November 2016

Limited review report is attached



CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of income - For the nine months period ended 30 September 2016

(All amounts in Egyptian Pounds)

	Note	Nine months ended 30 September		Three months ended 30 September	
		2016	2015	2016	2015
Operating revenue	19	626,580,514	238,462,246	215,109,560	81,852,950
Less:					
Operating costs	20	(439,425,020)	(149,235,634)	(154,793,531)	(47,068,838)
Gross profit		187,155,494	89,226,612	60,316,029	34,784,112
Add / (Less):					
General and administrative expenses	21	(84,319,754)	(29,360,052)	(27,881,475)	(12,361,191)
Provisions	13	(9,500,041)	(2,230,129)	(339,067)	(743,376)
Other income	22	4,915,572	657,475	533,311	193,426
Finance income	24	13,945,355	3,623,902	8,130,930	1,010,407
Finance cost	24	(41,440,233)	(984,743)	(12,094,513)	(984,682)
Profit for the period before income tax		70,756,393	60,933,065	28,665,215	21,898,696
Current tax	25	(21,540,620)	(15,080,926)	(7,128,916)	(5,605,287)
Deferred tax	26	3,638,763	737,250	519,100	423,004
Profit after income tax		52,854,536	46,589,389	22,055,399	16,716,413
Profit for:					
Owners of the parent company	18	45,275,638	46,589,389	19,592,172	16,716,413
Minority / non-controlling interests		7,578,898	-	2,463,227	-
Profit for the period		52,854,536	46,589,389	22,055,399	16,716,413

The accompanying notes on pages 7 - 47 from an integral part of these financial statements.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of income - For the nine months period ended 30 September 2016

(All amounts in Egyptian Pounds)

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Profit for the period	52,854,536	46,589,389	22,055,399	16,716,413
Other comprehensive income	-	-	-	-
Comprehensive income for the period	52,854,536	46,589,389	22,055,399	16,716,413

The accompanying notes on pages 7 - 47 from an integral part of these financial statements.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of changes in shareholders' equity - For the nine months period ended 30 September 2016

(All amounts in Egyptian Pounds)

	Share capital	Reserves	Retained earnings	Total Shareholders equity	Minority / Non controlling interest	Total equity
Balance at 1 January 2015	80,000,000	11,637,554	43,694,642	135,332,196	-	135,332,196
Comprehensive income for the period	-	-	46,589,389	46,589,389	-	46,589,389
Balance at 30 September 2015	80,000,000	11,637,554	90,284,031	181,921,585	-	181,921,585
Balance at 1 January 2016	80,000,000	(62,303,508)	108,270,052	125,966,544	33,250,055	159,216,599
Increase in share capital	20,000,000	-	-	20,000,000	-	20,000,000
Reserves	-	359,820,273	(3,233,896)	356,586,377	229	356,586,606
Dividends	-	-	(13,541,700)	(13,541,700)	-	(13,541,700)
Share of minority interests from the acquisition of subsidiaries	-	-	-	-	16,924	16,924
Comprehensive income for the period	-	-	45,275,638	45,275,638	7,578,898	52,854,536
Balance at 30 September 2016	100,000,000	297,516,765	136,770,094	534,286,859	40,846,106	575,132,965

The accompanying notes on pages 7 - 47 form an integral part of these financial statements.

CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of cash flows - For the nine months period ended 30 September 2016

(All amounts in Egyptian Pounds)

	Note	30 September 2016	30 September 2015
<u>Cash flows from operating activities</u>			
Net profit before tax		70,756,393	60,933,065
Adjustments to reconcile net income to cash flows from operating activities			
Fixed assets depreciation		21,032,578	4,913,196
Amortization of intangible assets	7	4,012,496	-
Provisions	13	9,809,136	2,230,129
Utilised from provisions		(8,616,076)	(105,574)
Provisions no longer required		(309,095)	-
Impairment of trade receivables	21	17,447,383	1,712,059
(Reversal) of impairment in trade receivables		(6,210,115)	-
Finance cost		41,440,233	984,743
Finance income		(13,945,355)	(3,623,902)
Income tax paid		(32,181,674)	(21,372,222)
Operating profits before changes in working capital		103,235,904	45,671,494
Changes in working capital			
Change in inventories		(5,242,137)	(47,908)
Change in trade receivables		(30,465,827)	(5,255,673)
Change in debtors and other debit balances		(46,366,431)	16,345,866
Change in creditors and credit balances		15,816,603	145,272,589
Net cash flows generated from operating activities		36,978,112	201,986,368
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets and projects under construction		(17,030,028)	(3,487,598)
Payments for acquisition of subsidiary, net cash acquired		(235,052,181)	(357,138,234)
Deposits with a maturity of more than 3 months from the date of placement		(12,636,822)	-
Interest received		13,945,355	-
Proceeds from bonds		38,080	3,623,902
Net cash flows used in investing activities		(250,735,596)	(357,001,930)
<u>Cash flows from financing activities</u>			
Paid to increase share capital		20,000,000	-
Share premium proceeds		340,000,000	-
Proceeds from borrowings		208,714,800	203,000,000
Repayment of borrowings		(21,753,697)	-
Interest and commissions paid		(19,298,810)	-
Net cash flows generated from financing activities		527,662,293	203,000,000
Change in cash and cash equivalents during the period		313,904,809	47,984,438
Cash and cash equivalents at the beginning of the period		47,017,746	53,632,054
Cash and cash equivalents at the end of the period	12	360,922,555	101,616,492

The accompanying notes on pages 7 - 47 from an integral part of these financial statements.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

1. General information

Cleopatra Hospital (Lasheen & Co.) is a limited partnership company incorporated on 19 July 1979. On 27 June 2005, a resolution no. 4092 of 2005 was issued by the Chairman of the General Authority For Investment (GAFI) authorizing Cleopatra Hospital (Lasheen & Co.), "a limited partnership company", to transform its legal form to Cleopatra Hospital S.A.E. in accordance with the provisions of Law No. 8 for 1997 and Law No. 95 for 1992.

The purpose of the Company is to establish a private hospital with the aim to offer modern and high quality medical services and provide medical care and treatment for patients. The Company may have interest or participate in any manner in companies or other firms which carry on similar activities in Egypt or abroad. The Company may acquire, merge or affiliate such entities under the General Authority for Investment.

The Company is located at 39 Cleopatra Street, Masr Al Jadidah, Cairo.

The parent is Care Healthcare Ltd which owns 99.99% of the Company's share capital.

On 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the shares of Cairo Specilaised Hospital.

On 22 September 2015, Cleopatra Hospital S.A.E. acquired 99.92% of the total shares of Nile Badrawy Hospital.

On 24 January 2016, Cleopatra Hospital S.A.E. acquired 99.99% of the total shares of Al-Shorouk Hospital Company.

These consolidated financial statements have been approved for issuance by the board of directors of the parent company on 17 November 2016.

2. Accounting policies

The following are the accounting policies applied in the preparation of these consolidated financial statements:

A. Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and relevant laws. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with EASs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The most significant accounting estimates and judgements applied in preparation of the consolidated financial statements are disclosed in Note 4.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Basis of preparation of consolidated financial statements (continued)

The EAS's require the reference to the most recent issues by other parties with which they are associated, which are responsible for setting accounting standards and use similar scopes and concepts to develop accounting standards and philosophies and other and other procedures accepted in the industry, to the extent at which these concepts do not conflict with the requirements of the Egyptian Standards on Auditing, which deal with similar related subjects, definitions, basis of recognition, concepts on the measurement of assets, liabilities, revenue and expenses included in the scope of the preparation and presentation of the financial statements when there is no Egyptian standard on accounting or legal requirements that explain the accounting process for certain balances or transactions.

Matters that have not been addressed in the Egyptian Standards is subject to the International Financial Reporting Standards (IFRS) until the Egyptian Standards that address such matters are issued.

New and amended EASs adopted by the Company

In accordance with the Resolution of the Ministry of Investment No. (110) of 2015 issued on July 2015, the EASs issued by the Ministerial Resolution of 2006 have been abolished and replaced with the accounting standards attached in the Resolution No. (110) referred to, provided that this Resolution shall enter into force as of 1 January 2016 and shall be applicable to the entities whose fiscal year begins on or after this date.

It is noteworthy that there is no material impact of such amendments on values included in the Company's financial statements upon adoption of the new standards, except for the following:

- Acquisition costs charged to subsidiaries within the statement of comprehensive income rather than capitalising them in accordance with the standards whose effective date has expired.

Other amendments applicable to the Company's activity and financial statements are summarised by certain matters related to the presentation and disclosure. Accordingly, the balance sheet will be differently presented and the presentation of the working capital will be eliminated therefrom. Also, business results of the Company will be presented in two separate statements, the first one will present the components of the revenue and expenses (statement of income) and the second one will begin with the profit or loss and present the components of income which will be included in equity to show the comprehensive income (statement of other comprehensive income). Financial risk has been disclosed and the fair values have been measured in further detail.

B. Basis of consolidation

i. Subsidiaries

Subsidiaries are the companies (including special purpose entities) with which the Group does not deal and shall not have rights in variable returns through its participation in the subsidiary, and shall have the ability to impact such returns through its authority over its subsidiaries. The Group's authority over the a subsidiary arises when the Group has outstanding rights giving the Group the current ability to instruct relevant activities, such as activities that impact the subsidiary's returns. Potential voting rights that may be practiced or transferred are taken into consideration when assessing the existence of authority over the subsidiary.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Basis of consolidation (continued)

The acquisition method of accounting is used to account for the acquisition of a subsidiary from outside the group by the Group. The cost of an acquisition is measured at the fair value or consideration of assets given by the Company for acquisition and/ or equity instruments issued and/ or liabilities incurred by the Company, and/or the liabilities accepted on behalf of the acquiree at the date of exchange plus any costs that are directly attributable to the acquisition. Net assets, including the identifiable contingent liabilities acquired at their fair value at the date of acquisition, are measured at fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the mentioned net assets, the difference is recognised directly in the statement of profit and loss.

In case the acquisition process is carried out by an entity under joint control, subsidiaries are fully consolidated from the date on which control is transferred to the Group. The historical cost method is used where assets and liabilities are transferred from the consolidated financial statements to the highest joint control entity which consolidated the transferred company. If this is not possible, transfer will be made at the same value stated in the transferred company's books. The difference between the carrying value of the net assets referred to and the cost of acquisition is recognised in equity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. Inter-companies transactions, balances and unrealised gains on transactions are excluded. Unrealised losses are eliminated, and are considered as an indication of the impairment of the transferred assets.

Subsidiaries including, companies which were under joint control, are consolidated in these financial statements from date of acquisition. Accordingly, comparative figures for the statements of income, comprehensive income, cash flows and shareholders' equity reflect the Parent Company's figures independently. As for the financial position, the comparative figures present the financial position of the consolidated financial statements at 31 December 2015. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted at the Group's level.

The consolidated financial statements include the financial statements of the following subsidiaries:

	<u>Country of incorporation</u>	<u>Percentage of Ownership</u>
Al-Shorouk Hospital S.A.E.	Egypt	99.99%
Nile Badrawi Hospital S.A.E.	Egypt	99.92%
Cairo Specialised Hospital S.A.E.	Egypt	52.7%

ii. Sale, acquisition and minority interests - non-controlling interests

- The Group recognises sales and acquisitions made with the minority, as transactions with parties outside the Group. Gains or losses on disposal of equity to the minority, are recognised in the consolidated equity. Where purchase is made from minority, the difference between the consideration paid and the carrying value of the share purchased in the subsidiary's assets is recognised as a reserve in the consolidated equity.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Basis of consolidation (continued)

iii. Associates

- Associates are entities over which the Group has significant influence but not control. A shareholding in these entities ranges between 20% and 50% of the voting rights.
- Investments in associates are accounted for by the equity method of accounting. Investments are initially recognised at cost.
- Goodwill arising from shareholding in associates is stated within investment cost net of accumulated impairment.
- The Group's share of its associates' post-acquisition profit and loss is recognised in the income statement, and its share of post-acquisition movements in associates' reserves is recognised in reserves, in exchange for the adjustment of carrying value of investment against the Group's share in post-acquisition changes in equity.
- When the Group's share of losses in associates equals or exceeds its interest in the associate, including any other receivables or unsecured borrowings, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies applied in the associates are adjusted when necessary to ensure consistency with the policies adopted by the Group.

C. Segment reporting

Business segments are reported in line with the reports provided internally to the senior management, which makes decisions related to resources allocation and evaluation of segments' performance in the Group. The senior management is represented by Group's executive management committee. The segment reports are provided to the Group based on each company, as each subsidiary is considered a separate business segment.

D. Foreign currency translation

(1) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in Egyptian Pound, which is the Group's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions during the year are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the revaluation of monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are recognised in the consolidated statement of income.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

E. Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes all expenses that are attributable to the acquisition of the asset and bringing it to a ready-for-use condition.

All expenses incurred by the Company to acquire or construct fixed assets are recognised within "projects under construction". When the fixed asset is commissioned and brought to ready-for-use condition, the asset's value is transferred to the fixed assets.

All repair and maintenance costs are charged to the statement of income during the fiscal year in which they are incurred. Major renovation costs are capitalised over the asset's cost when they are expected to raise the expected pattern of the Company's future economic benefits over the estimated original benefits of the asset acquisition. These costs will be depreciated at the lower of the asset's remaining useful life or the expected useful life of these renovations, the net carrying amount of the disposed part is eliminated.

The straight line method is used to calculate the depreciation by reducing the asset's value to its salvage value over the estimated useful life except the land that is not considered a depreciable asset. The fixed assets' salvage value and useful life are reviewed annually, and adjusted if appropriate.

The depreciation rates by type of asset are as follows:

Buildings	2.5%
Machinery , equipment & devices	10%
Tools and instruments	25%
Furniture and fixtures	15%
Vehicles	10%
Computers	25%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its amount estimated to be recovered from operation . Gains and losses on disposals are determined by comparing the realisable value with the net carrying amount, and the difference is recognised in the statement of income.

F. Intangible assets

i. Goodwill

Goodwill results from the acquisition of subsidiaries and represents the excess of the cost of acquisition of shareholding in subsidiaries over the fair value of the Group's share of the net assets of the acquired associate at the date of acquisition. Goodwill resulting from the acquisition of a subsidiary is included within intangible assets.

The Group's management conducts analysis annually or at shorter intervals, where there is an indication for impairment, to estimate whether the carrying value of goodwill is expected to be fully recovered, and reduce the carrying value of goodwill if it is higher than the expected recoverable amount. Any losses resulting from impairment of goodwill are charged to the income statement, and cannot be reversed subsequently.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Intangible assets (continued)

Profits and losses resulting from the disposal of investments in subsidiaries or associates comprise the carrying value of the goodwill related to the investment.

Goodwill is allocated to cash generating units for the purpose of measurement of impairment. Allocation is made on cash generating units or a group of cash generating units that are expected to directly benefit from goodwill.

ii. Trade name

Trade name is included within intangible assets, and represents the trade name of both Nile Badrawy Hospital Co. S.A.E. and Al Shorouk Hospital S.A.E., resulting from the acquisition at fair value at the date of acquisition.

iii. Non-competition agreement

The fair value of the recognised asset is depreciated in such agreements over the period during which it is expected to be beneficial. The period is specified to be two years long.

G. Inventory

Inventories are evaluated at the lower of actual cost or net realisable value. Cost is determined using the moving average method and includes purchase cost and other direct costs. The net realisable value comprises the estimated selling price in the ordinary course of business, less realisable expenses. Allowance is made for slow moving inventories based on management's assessment of inventory movements.

H. Financial assets

i. Classification

The Company classifies its financial assets into the following categories at initial recognition depending on the purpose for which the financial assets were acquired. The management of the Company has classified its financial assets within the group of loans and receivables.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable values that are not quoted in an active market.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. In this case, they are classified as non-current assets.

Loans and receivables include accounts receivables, cash and bank balances, and due from related parties.

ii. Initial and subsequent measurement:

- The financial assets are measured on acquisition at fair value plus transaction costs.
- The financial assets are derecognised when the right to receive cash flows from such assets has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership.
- Loans and receivables are subsequently measured at amortised cost using the effective interest method.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Financial assets (continued)

iii. Impairment of financial assets:

Assets recognised at amortised cost

The Company assesses, at the end of each reporting period, whether there is evidence that a financial asset or a group of financial assets is impaired.

Impairment of a financial asset or group of financial assets is recognised if an impairment evidence exists as a result of one or more events that occurred after the initial recognition (a "loss event") and if the loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably measured.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a decrease in the estimated future cash flows, such as future changes or economic conditions that correlate with the impairment evidence.

Fixed assets' impairment loss is measured at amortised cost, which is the difference between the asset's carrying amount and the present value of the estimated future cash flows (after eliminating future losses that have not occurred) discounted at the original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of income.

If, in a subsequent period, the amount of the impairment decreases and the decrease can be related to an event occurring after the initial recognition (such as an improvement in the debtor's credit rating), the reversal of the impairment is recognised in the statement of income.

I. Impairment of non-financial assets

Intangible assets that have an indefinite useful life, and so are not depreciated, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognised in the statement of income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal of the asset or the value expected to be recovered its use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are independent cash inflows.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that impairment losses recognised for the asset no longer exist or have decreased. Loss of impairment, which should not exceed the fair value that will be determined (net of depreciation), is reversed. Such reversal is recognised in the income statement, excluding goodwill.

J. Share capital

Ordinary shares are classified as equity.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

K. Legal reserve

As required by the Company's Articles of Association, 5% of the net profit shall be transferred to constitute the legal reserve, once the financial statements are approved by the Company's ordinary general assembly meeting. Such transfer may be discontinued when the reserve equals 50% of the Company's issued and paid up capital. Whenever this reserve is lower than this percentage, the deduction should be continued. This reserve is not available for distribution.

L. Provisions

Provisions are recognised when the Company has a (legal or constructive) obligation as a result of past events. It is expected that this settlement will result in an outflow of the Company's resources, which ensures that economic benefits will arise, and it is probable that the resource usage will be required to settle the obligation and a reliable estimate of the amount of this obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

M. Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. Trade payables are initially recognised at fair value of products and services received from others, whether they have been billed or not. Long term liabilities are recognised at their present value, and trade payables are subsequently shown at amortised cost using the effective interest method.

N. Borrowings and advances

Borrowings are recognised initially at the amount of the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any difference between proceeds (net of borrowing cost) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective yield method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of this asset. The cost of borrowing, which is capitalised, is determined based on actual borrowing costs, which are incurred by the Group during the year due to borrowing process, less any income realised from the temporary investment of funds borrowed.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the financial statements.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

O. Employees' benefits

Pension and insurance scheme

The Group pays contributions to the Public Authority for Social Insurance on a mandatory basis in accordance with the rules of Social Security Law. The Group has no further obligations other than the payment of its obligations. The regular contributions are recognised as periodic costs for the year in which they are due and as such are included in staff costs.

P. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, including cash balances, trade and notes payable for rendering medical services and sale of medicine throughout the Group's ordinary course of business, and excluding sales taxes, deductions or discounts.

Revenues are recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits related to the sale process will flow to the Group; and when other specific criteria have been met for each of the Group's activities as described below. The revenue amount will not be considered reliably measurable unless all contingent liabilities are settled. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Medical services revenue

The Group renders several medical services, including surgeries, admission, medical supervision, analyses, investigations, x-rays and outpatient services. The medical service income is recognised when the service is rendered to the patient.

Sale of medicine revenue

The Group sells drugs through the hospital pharmacy or when giving them to inpatients admitted in the hospital. The Group recognises the revenues of medicines when the patient receives the medicine or when the medicine is used for the treatment of inpatients.

Rental income

The Groups rents spaces to others. Such rental is recognised in the statement of income over the period of contract.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable generated from the recognition of interest is impaired, the carrying amount will be reduced to its recoverable amount.

Q. Leases

i. Finance lease

Leases are accounted for in accordance with Law 95 for the year 1995 if the tenant is not obliged to purchase the asset at the end of the lease term; the lease is registered in the register of the Companies' Department; the lease grants the tenant the right to purchase the assets at a definite date and a definite amount; and the contract period represents at least 75% of the expected useful life of the asset, at least, or the present value of the total lease payments represents at least 90% of the value of the asset.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Leases (continued)

The cost of lease, including the cost of maintenance of the leased assets are recognised as an expense in the consolidated statement of income for the period in which they occurred. If the Group decides to exercise the right to purchase the leased assets, the cost of the right to purchase is capitalised as a fixed asset, which is depreciated over the useful life of the expected remaining life of the asset in the same method followed with similar assets.

ii. Operating lease

Leases in which the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases net of any discounts received from the lessor are recognised as expense in the statement of income on a straight-line basis over the period of the lease.

R. Current and deferred income tax

The income tax for the year is calculated on the basis of the tax laws enacted at the balance sheet date. Management periodically evaluates tax situation through tax returns, taking into account the differences that may arise from some interpretations issued by administrative or regulatory authorities, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

Deferred income tax is fully recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income taxes are not accounted for if it arises from initial recognition of an asset or liability other than those arising from business combination that at the time of the transaction affects neither accounting nor taxable income.

Deferred income tax is determined using tax rates in accordance with the law prevailing at the consolidated balance sheet date that are expected to apply when the deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

S. Dividends

Dividends are recognised in the Company's consolidated financial statements in the period in which the dividends are approved by the Company's General Assembly of Shareholders.

T. Cash and cash equivalents

For the purpose of preparation of consolidated statement of cash flows, cash and cash equivalents includes cash in hand, bank current accounts, and term deposits with maturities of three months of the date of deposit.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

3. Financial risk management

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including the risk of change in foreign currency and risk of change in interest rates), credit risk and liquidity risk. The Group is not exposed to any price risk as it does not have financial assets at fair value through profit and loss. The Group's management aims to minimise potential adverse effects of such risks on the financial performance of the Group by the monitoring process performed by the Finance Department, Company's General Manager, Executive Committee at the level of the Parent Company.

The Group does not use any derivative financial instruments to hedge specific risks.

(A) Market risk

i. Risk of fluctuations in foreign currency rates

Foreign currency risk represents the changes in foreign currency rates, which affects the payments and receipts denominated in foreign currencies, as well as the evaluation of foreign currency assets and liabilities. Given the nature of the Group's activities, the Group does not undertake transactions denominated in foreign currencies as it carries out all purchases in Egyptian Pound. The Group's very limited revenue in foreign currencies are generated from certain foreign embassies. Management is of the opinion that the foreign currency balances are considered immaterial.

At the end of the year, the net foreign currency financial assets denominated in EGP was as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
USD	5,146,018	56,716
EUR	26,972	18,896
GBP	22,026	-

At 30 September 2016, if the value of EGP is 40% more or less against foreign currencies, with all other variables held constant, net profit after taxes will increase / decrease as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
USD	2,058,407	5,671
EUR	10,789	1,889
GBP	8,810	-

ii. Fair value and cash flow interest rate risk

The Parent Company obtained a long-term loan at interest rate linked to the corridor declared by the Central Bank of Egypt, and therefore, it is exposed to cash flow risks.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Financial risk management (continued)

(B) Credit risk

Credit risk arises from cash at banks, as well as credit risk linked to the Group's customers. Credit risks are managed for the Group as a whole by its Executive Management, Central Finance Department and Executive Committee at the level of the Parent Company.

For banks, the Company deals with banks with high credit ratings and creditworthiness that are regulated by the Central Bank of Egypt.

For customers, the Financial Director and the General Manager of each hospital perform analysis on the credit risk for each potential credit customer in accordance with the Group's policies, including Cleopatra Hospital or subsidiaries. The Parent Company's Executive Committee follows-up the compliance with credit terms, and reviews default cases and debt ageing report to take the necessary decisions whether to cancel the credit or to refer the defaulted customer to the Legal Department for their necessary actions.

The management establishes a provision for impairment of 100% for defaulted customers for more than 150 days from the invoice date, in addition to a provision based on the historical default rates.

Cash at banks is placed with local banks that are subject to the supervision of Central Bank of Egypt. Accordingly, management believes that credit risk resulting from the cash at bank is minimal.

Balances exposed to credit risks are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Cash at banks	432,534,734	109,353,010
Trade receivables	172,160,857	114,663,360

(C) Liquidity risk

The management makes cash flow projections on a monthly basis, which are discussed during the Executive Committee's meeting, and takes the necessary actions to negotiate with suppliers, follow-up the collection process and manage the inventory balances in order to ensure sufficient cash is maintained to discharge the Group's liabilities.

The table below shows the Company's liabilities by maturity:

	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
Suppliers and notes payable	63,662,265	178,366	-	-
Accrued expenses	31,648,525	2,445,172	1,782,586	-
Loans and financing interests	7,962,605	103,087,336	488,597,959	53,690,650
Sundry creditors	14,713,747	575,704	-	-

Subsequent to the balance sheet date the lending rate (Corridor) has increased by 3% which will affect the company liabilities related to loans and finance expenses.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Financial risk management (continued)

(2) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital consistent with other companies operating in the same field.

The Company's management monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and advances, note payable and due to related parties, less cash. Total share capital is represented in net debt plus total equity as shown in the balance sheet plus net debt.

Net debt to total capital ratio as at 30 September 2016 and 31 December 2015 is as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Creditors and other credit balances	149.802.348	139.930.019
Borrowings	400.330.356	203.000.000
Less: Cash at banks and on hand	(436.448.500)	(109.906.869)
Net debt	113.684.204	233.023.150
Total equity	575.132.965	159.216.599
Total capital	688.817.169	392.239.749
Net debt to total capital ratio	17%	59%

Net debt to total capital ratio changed due to the loan obtained by the Company during the nine-month period ended 30 September 2016.

(3) Estimations of fair values of financial instruments

The fair value of current financial assets and liabilities approximates their carrying amounts after taking into account the impairment. The Parent Company availed a long-term loan from an Egyptian bank, and the management believes that the fair value of the loan approximates its carrying amount as it was issued at a variable rate linked to the interest rate corridor declared by the Central Bank of Egypt.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

4. Critical accounting estimates, assumptions and judgements

Critical accounting estimates and assumptions

Estimates and assumptions are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the actual results.

A. Other provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is more likely than an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Group reviews the provision at each balance sheet date, and adjusts it to reflect the best current estimate by using the appropriate advisory expertise.

B. Impairment of goodwill

The Group's management evaluates goodwill annually to determine any impairment in goodwill. The carrying amount of goodwill is reduced if it is higher than the expected recoverable amount. Any losses resulting from the impairment of goodwill is charged to the statement of income, and cannot be reversed subsequently.

C. Impairment of trade receivables

Impairment of trade receivables is estimated by monitoring ageing of borrowings. The Group's management examines the credit position and ability of debtors and customers to make payments for their past due debts. Impairment is recognised for amounts due from debtors and customers whose credit position does not allow them to pay their dues as believed by the management. In addition, the Group calculates impairment based on the Group for customers and balances that suffered impairment but not determined by reference to historical default rates applicable to some of the Group companies.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

5. Segment reporting

Business segments are reported in line with the reports provided internally to the senior management, which makes decisions related to resources allocation and evaluation of segments' performance in the Group. The senior management is represented in Group's executive management committee. The segment reports are provided to the Group based on each company, as each subsidiary is considered a separate business segment.

Below is a summary of each segment, which is presented for the period ended 30 September 2016 for each segment (note that the consolidated financial statements have been prepared on the basis of the date of the actual acquisition of each subsidiary):

	Cleopatra Hospital	Cairo Specialised Hospital	Nile Badrawy Hospital	Al Shorouk Hospital	Total
Balance sheet:					
Non-current assets	302,776,861	33,018,819	176,916,827	109,812,713	622,525,220
Current assets	421,590,422	98,068,173	64,378,723	34,049,745	618,087,063
Total assets	724,367,283	131,086,992	241,295,550	143,862,458	1,240,612,283
Current liabilities	136,883,342	49,301,158	36,078,228	39,955,955	262,218,683
Non-current liabilities	346,028,676	1,110,963	39,714,505	16,406,491	403,260,635
Total liabilities	482,912,018	50,412,121	75,792,733	56,362,446	665,479,318
Statement of income:					
Operating revenue	273,115,958	135,871,892	114,427,374	103,165,290	626,580,514
Operating costs	(169,144,479)	(101,807,945)	(88,819,390)	(79,653,206)	(439,425,020)
Gross profit	103,971,479	34,063,947	25,607,984	23,512,084	187,155,494
Other expenses and revenues	(78,448,986)	(18,066,871)	(16,568,105)	(21,216,996)	(134,300,958)
Profit for the period	25,522,493	15,997,076	9,039,879	2,295,088	52,854,536
Other items					
Capital expenditure	2,498,295	10,324,365	1,861,869	2,348,003	17,032,532
Fixed assets depreciation	6,443,705	2,983,931	6,311,558	5,293,384	21,032,578

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

**Notes to the consolidated financial statements
For the nine months period ended 30 September 2016**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

6. Fixed assets

	Lands	Buildings	Machinery, equipment and devices	Furniture	Vehicles	Computers	Projects under construction	Total 30 September 2016
Cost at 1 January 2016	69,264,635	175,024,544	180,712,569	19,502,473	4,596,488	4,330,024	1,599,921	455,030,654
Acquired assets	36,064,627	67,911,188	47,878,476	8,991,488	1,066,195	2,324,416	1,015,196	165,251,586
Additions	-	-	3,295,463	1,110,965	149,490	1,200,443	11,276,171	17,032,532
Disposals	-	-	(39,840)	(2,948)	-	-	-	(42,788)
Transfers	-	-	1,080,000	-	-	-	(1,080,000)	-
Balance at 30 September 2016	105,329,262	242,935,732	232,926,668	29,601,978	5,812,173	7,854,883	12,811,288	637,271,984
Accumulated depreciation at 1 January 2016	-	36,823,505	130,731,955	14,141,454	2,983,795	3,300,000	-	187,980,709
Acquired assets depreciation	-	15,845,427	27,955,272	7,249,991	466,195	1,974,415	-	53,491,300
Depreciation for the period	-	7,961,047	10,329,233	1,797,144	295,287	649,867	-	21,032,578
Accumulated depreciation of disposal	-	-	(37,358)	(2,927)	-	-	-	(40,285)
Accumulated depreciation at 30 September 2016	-	60,629,979	168,979,102	23,185,662	3,745,277	5,924,282	-	262,464,302
Net assets value at 30 September 2016	105,329,262	182,305,753	63,947,566	6,416,316	2,066,896	1,930,601	12,811,288	374,807,682

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

**Notes to the consolidated financial statements
For the nine months period ended 30 September 2016**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Fixed assets (continued)

	Lands	Buildings	Machinery, equipment and devices	Furniture	Vehicles	Computers	Projects under construction	Total 31 December 2015
At 1 January 2015	14,967,000	38,024,987	63,302,346	4,470,834	2,276,722	817,117	5,532,870	129,391,876
Acquired assets	54,297,635	131,084,514	109,988,035	14,812,050	2,320,195	3,068,664	485,398	316,056,491
Additions	-	386,953	7,720,110	1,079,284	-	490,496	1,550,430	11,227,273
Disposals	-	(2,026)	(253,417)	(19,800)	-	-	(435,907)	(711,150)
Transfers	-	5,532,870	-	-	-	-	(5,532,870)	-
Fixed assets write-off	-	(2,754)	(44,505)	(839,915)	(429)	(46,253)	-	(933,856)
Balance at 31 December 2015	69,264,635	175,024,544	180,712,569	19,502,453	4,596,488	4,330,024	1,599,921	455,030,634
Accumulated depreciation at 1 January 2015	-	10,854,674	50,857,667	3,056,303	1,086,725	748,878	-	66,604,247
Acquired assets depreciation	-	21,558,387	76,558,602	10,404,764	1,723,118	2,510,050	-	112,754,921
Accumulated depreciation of disposal and assets write-off	-	(1,831)	(169,290)	(588,809)	(214)	(29,191)	-	(789,335)
Depreciation for the year	-	4,412,275	3,484,947	1,269,198	174,166	70,263	-	9,410,849
Accumulated depreciation at 31 December 2015	-	36,823,505	130,731,926	14,141,456	2,983,795	3,300,000	-	187,980,682
Net assets value at 31 December 2015	69,264,635	138,201,039	49,980,643	5,360,997	1,612,693	1,030,024	1,599,921	267,049,952

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

7. Business combination and intangible assets

<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>30 September 2016 Total</u>
Cost of intangible assets arising from business combination	196,676,034	44,354,000	6,687,504	247,717,538
<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>31 December 2015 Total</u>
Cost of intangible assets arising from business combination	75,853,020	21,342,000	-	97,195,020
<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>30 September 2016 Total</u>
Balance at the beginning of the period	75,853,020	21,342,000	-	97,195,020
Additions during the period	120,823,014	23,012,000	10,700,000	154,535,014
Depreciation for the period	-	-	(4,012,496)	(4,012,496)
Balance at the end of the period	196,676,034	44,354,000	6,687,504	247,717,538

Goodwill is as follows:

	<u>Balance at 1 January 2016</u>	<u>Acquisition of a subsidiary</u>	<u>Balance at 30 September 2016</u>
Nile Badrawy Hospital Co.	75,853,020	-	75,853,020
Al-Shorouk Hospital S.A.E.	-	120,823,014	120,823,014
Total	75,853,020	120,823,014	196,676,034

Goodwill

To calculate goodwill, Nile Badrawy Hospital Company S.A.E. and Al-Shorouk Hospital S.A.E. were considered as a cash generating unit, and goodwill resulting from acquisition was allocated.

Recoverable amount of cash-generating unit is estimated by calculating the value in use, using pre-tax cash flows based on financial budgets approved by management, which cover a period of five years maximum. The management determines the specific assumptions of cash flow forecasts based on past experience and expectations of the market.

Trade name

The fair value of the trade name is estimated by using relief from royalty method. This method determines the value by referring to the nominal royalty payments, which are provided when acquiring the asset compared with the license of the asset and trade name by a third party.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Business combination and intangible assets (continued)

A. Acquisition of Nile Badrawy Hospital Company S.A.E.

On 22 September 2015, Cleopatra Hospital Company S.A.E. acquired 99.92% of the total shares of Nile Badrawy Hospital Company S.A.E. This acquisition resulted in increase of the cost of acquisition over the fair value of the net assets of the acquired company, which were recognised as intangible assets, as indicated in the table above.

The Group expects that the acquisition will result in increase of its market share and to achieve future economic benefits, and upgrade the services offered to patients of the Group's hospitals. The goodwill amounting to approximately EGP 75 million, resulting from the acquisition, is attributed to the list of customers, relations with insurance companies and the available medical experience of the hospital's employees.

The fair value of the net liabilities, which represents the assets and liabilities, excluding intangible non-current assets, is calculated after taking into consideration the contingent liabilities at the date of acquisition and the provisions for the impairment of doubtful loans.

Nile Badrawy Hospital S.A.E. was included in the consolidated financial statements as on 1 October 2015, which is the date on which the acquirer actually established control over the subsidiary and the power of control on the financial and operating policies was transferred to the Company. Net acquired assets and goodwill are as follows:

	<u>EGP</u>
Cost of acquisition:	
Paid-up cash	257,004,947
Direct costs of acquisition	2,000,000
Minority interests at the date of acquisition	130,200
Total cost of acquisition	259,135,147
Fair value of acquired assets	(161,940,127)
Intangible assets	97,195,020

Assets and liabilities resulting from the acquisition of Nile Badrawy Hospital Company S.A.E. were determined on the basis of fair value at 30 September 2015 as follows:

	<u>EGP</u>
Lands	52,838,000
Buildings and constructions	105,770,472
Machinery and equipment	21,921,515
Vehicles	597,077
Projects under construction	485,398
Computers	129,207
Kits and tools	266,213
Total Fair value of intangible assets	182,007,882
Net liabilities at fair value	(20,067,755)
Net fair value of acquired assets	161,940,127

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

7. Business combination and intangible assets

<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>30 September 2016 Total</u>
Cost of intangible assets arising from business combination	196,676,034	44,354,000	6,687,504	247,717,538
<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>31 December 2015 Total</u>
Cost of intangible assets arising from business combination	75,853,020	21,342,000	-	97,195,020
<u>Cost</u>	<u>Goodwill</u>	<u>Trade name</u>	<u>Non-competition agreement</u>	<u>30 September 2016 Total</u>
Balance at the beginning of the period	75,853,020	21,342,000	-	97,195,020
Additions during the period	120,823,014	23,012,000	10,700,000	154,535,014
Depreciation for the period	-	-	(4,012,496)	(4,012,496)
Balance at the end of the period	196,676,034	44,354,000	6,687,504	247,717,538

Goodwill is as follows:

	<u>Balance at 1 January 2016</u>	<u>Acquisition of a subsidiary</u>	<u>Balance at 30 September 2016</u>
Nile Badrawy Hospital Co.	75,853,020	-	75,853,020
Al-Shorouk Hospital S.A.E.	-	120,823,014	120,823,014
Total	75,853,020	120,823,014	196,676,034

Goodwill

To calculate goodwill, Nile Badrawy Hospital Company S.A.E. and Al-Shorouk Hospital S.A.E. were considered as a cash generating unit, and goodwill resulting from acquisition was allocated.

Recoverable amount of cash-generating unit is estimated by calculating the value in use, using pre-tax cash flows based on financial budgets approved by management, which cover a period of five years maximum. The management determines the specific assumptions of cash flow forecasts based on past experience and expectations of the market.

Trade name

The fair value of the trade name is estimated by using relief from royalty method. This method determines the value by referring to the nominal royalty payments, which are provided when acquiring the asset compared with the license of the asset and trade name by a third party.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Business combination and intangible assets (continued)

B. Acquisition of Cairo Specialised Hospital S.A.E.

At 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the total shares of Cairo Specialised Hospital S.A.E. These are the shares then owned by Creed Healthcare Co. Ltd.. The acquisition is made for a consideration of approximately EGP 107 million, which is the same value Creed Health Care Ltd. paid to acquire Cairo Specialised Hospital in July 2014. As this transaction took place between parties under joint control (because Care Health Care Ltd., the owner of Cleopatra Hospital Company is itself 100% owned to Creed Health Care Ltd.) to restructure ownership of the group companies, uniting-of-interest method is applied for the consolidation of the financial statements of Cairo Specialised Hospital within the consolidated financial statements of Cleopatra Hospital.

The difference between the value of acquisition amounting to approximately EGP 107 million. The book value of the net assets at the date of acquisition amounting to approximately EGP 62 million after taking into account the minority interests amounting to approximately EGP 31 million pounds at the acquisition date. An amount of approximately EGP 76 million is recognised as acquisition reserve within the consolidated equity.

C. Acquisition of Al-Shorouk Hospital S.A.E.

In January 2016, Cleopatra Hospital S.A.E. acquired 99.99% of the total shares of Al-Shorouk Hospital S.A.E. This acquisition resulted in increase of the cost of acquisition over the fair value of the net assets of the acquired company, which were recognised as intangible assets, as indicated in the table above.

The Group expects that the acquisition will result in increase of its market share and to achieve future economic benefits, and upgrade the services offered to patients of the Group's hospitals. The goodwill amounting to approximately EGP 120 million, resulting from the acquisition, is attributed to the list of customers, relations with insurance companies and the available medical experience of the hospital's employees.

The fair value of the net liabilities, which represents the assets and liabilities, excluding intangible non-current assets, is calculated after taking into consideration the contingent liabilities at the date of acquisition and the provisions for the impairment of doubtful loans.

The revenue recognised in the consolidated statement of profit and loss, which is contributed by Al-Shorouk Hospital S.A.E. since the date of acquisition, amounted to approximately EGP 34,485,769 million, and the net profits for this period amounted to approximately EGP 1.25 million. Al-Shorouk Hospital S.A.E. has been included in the consolidated financial statements.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Business combination and intangible assets (continued)

On 1 January 2016, net assets acquired and goodwill were as follows:

<u>Cost of acquisition</u>	<u>EGP</u>
Paid-up cash	239,142,000
Direct costs of acquisition	-
Minority interests at the date of acquisition	16,924
Total cost of acquisition	239,158,924
Fair value of acquired assets	(84,623,910)
Intangible assets	154,535,014

Assets and liabilities resulting from the acquisition of Al-Shorouk Hospital S.A.E. were determined on the basis of fair value at 31 December 2015 as follows:

	<u>EGP</u>
Lands	36,064,627
Buildings and constructions	53,807,252
Machinery and equipment	20,938,400
Vehicles	600,000
Computers	350,000
Total Fair value of tangible assets	111,760,279
Net liabilities at fair value	(27,136,369)
Net fair value of acquired assets	84,623,910

8. Held-to-maturity investments

Held-to-maturity investments comprise investments in public housing bonds (compulsory) issued by the Ministry of Finance in favour of the Central Bank, which shall be recoverable on 11 July 2015. Such bonds have been collected on 13 January 2016.

9. Inventories

	<u>30 September 2016</u>	<u>31 December 2015</u>
Medical supply inventory	19,862,957	12,929,305
Pharmacy inventory	7,779,917	1,328,796
Others	1,829,415	1,259,856
	29,472,289	15,517,957

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

10. Trade receivables

	<u>30 September 2016</u>	<u>31 December 2015</u>
Due from customers	168,953,565	112,340,748
Income / (prepayments) from inpatients	3,207,292	2,322,612
Less:		
Impairment of trade receivables	(42,658,675)	(24,676,776)
Net trade receivables	<u>129,502,182</u>	<u>89,986,584</u>

The income from inpatients comprises the revenues that have not been billed at the balance sheet date for their stay while the procedures of the medical services have not been completed. Such income is calculated net less amounts collected in advance during the period of their stay.

The movement of the provision for impairment is as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Balance at 1 January	24,676,776	3,422,536
Provision formed during the period / year	17,447,383	8,457,898
Provisions no longer required	(6,210,115)	(279,679)
Write-offs of provision for receivables during the period/ year	(322,674)	(778,867)
Effect of acquisition	7,067,305	13,854,888
Balance at the end of the period / year	<u>42,658,675</u>	<u>24,676,776</u>

Trade receivable balances, which have not been due till the balance sheet date and have no impairment indicators, amounted to EGP 54,521,354 (31 December 2015: EGP 71,181,598).

At the balance sheet date, the balances that were past due 15 days (2015 : 30 Days) but not impaired amounted to EGP 67,377,794 (31 December 2015: EGP 13,438,722) regarding customers and transactions with no history of default. The ageing analysis of these balances is as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
More than 15 days and less than 1 month	39,728,827	9,167,504
From one to five months	27,648,967	4,271,218

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

11. Debtors and other debit balances

	30 September 2016	31 December 2015
Withholding taxes	10,341,997	6,673,121
Advances to contractors and suppliers	5,646,307	719,126
Prepaid expenses	3,333,403	3,069,905
Due from employees	1,236,153	7,242,569
Deposits with others	627,605	470,030
Due from related parties	-	4,640
Other debtors	2,544,221	957,611
	23,729,686	19,137,002
Impairment of debtors and other debit balances	(1,065,594)	(854,860)
	22,664,092	18,282,142

The movement of the provision for impairment during the period/ year is as follows:

	30 September 2016	31 December 2015
Balance at 1 January	854,860	-
Provision formed during the period / year	-	173,161
Effect of acquisition of subsidiary	210,734	681,699
	1,065,594	854,860

12. Cash on hand and at banks

	30 September 2016	31 December 2015
Cash on hand	3,913,766	553,859
Current accounts	357,008,789	46,463,887
Deposits	75,525,945	62,889,123
	436,448,500	109,906,869

Deposits are held with local banks in the EGP and have maturity of up to 6 months from the date of placements with fixed rate ranging from 10.75% to 12% (31 December 2015: 7% to 9%).

	30 September 2016	31 December 2015
Cash on hand and at banks	436,448,500	109,906,869
Deposits with a maturity of more than 3 months from the date of placement	(75,525,945)	(62,889,123)
Cash and cash equivalents	360,922,555	47,017,746

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

13. Provisions

	30 September 2016	31 December 2015
Provision for claims	20,500,511	15,582,001
Provision for human resources claims	7,944,913	2,307,000
Employees leave provision	2,979,763	1,035,539
Provision for the benefits of the employees over 60 years	1,363,499	910,057
Provision for stamp duty	56,200	56,200
	32,844,886	19,890,797

The movement of provisions during the period/ year is as follows:

	30 September 2016					
	Balance at the beginning of the period	Effect of acquisition of subsidiaries	Formed during the period	Utilised during the period	Provisions no longer required	Balance at the end of the period
Provision for claims	15,582,001	11,870,000	1,000,000	(7,951,490)	-	20,500,511
Provision for human resources claims	2,307,000	-	6,050,760	(412,847)	-	7,944,913
Employees' leave provision	1,035,539	200,124	1,750,261	(6,084)	(77)	2,979,763
Provision for the benefits of the employees over 60 years	910,057	-	1,008,115	(245,655)	(309,018)	1,363,499
Provision for stamp duty	56,200	-	-	-	-	56,200
Total	19,890,797	12,070,124	9,809,136	(8,616,076)	(309,095)	32,857,054

	31 December 2015					
	Balance at beginning of the year	Effect of acquisition of subsidiaries	Formed during the year	Utilised Balance during the year	Provisions no longer required	Balance at the end of the year
Provision for claims	2,758,668	19,436,433	-	(6,613,100)	-	15,582,001
Provision for human resources claims	-	-	2,307,000	-	-	2,307,000
Employees' leave provision	-	439,367	596,172	-	-	1,035,539
Provision for the benefits of the employees over 60 years	552,484	-	519,413	(161,840)	-	910,057
Provision for stamp duty	56,200	-	-	-	-	56,200
Total	3,367,352	19,875,800	3,422,585	(6,774,940)	-	19,890,797

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Provisions (continued)

	30 September 2015				Balance at the end of the period
	Balance at beginning of the period	Formed during the period	Utilised during the period	Provisions no longer required	
Provision for claims	2,758,668	-	-	-	2,758,668
Provision for human resources claims	-	1,730,250	-	-	1,730,250
Employees' leave provision	-	110,319	-	-	110,319
Provision for the benefits of the employees over 60 years	552,484	389,560	(105,574)	-	836,470
Provision for stamp duty	56,200	-	-	-	56,200
Total	3,367,352	2,230,129	(105,574)	-	5,491,907

Provision for claims

Other provisions represent provisions for contingent liabilities for potential claims from certain authorities and bodies regarding the Company's activities. The information that is usually published on provisions has not been disclosed in accordance with Egyptian Standards on Auditing, since the management believes that their disclosure may strongly affect the results of negotiations with such authorities and bodies. The management reviews such provisions annually. The specified amount shall be adjusted in line with the latest developments, discussions and agreement with such authorities and bodies.

Provision for human resources claims

Other provisions for human resources comprise provisions for the restructure of the Company's employees.

Employees leave provision

It is represented by employees' entitlements for not receiving their full leave balance in accordance with the law.

Provision for the benefits of the employees over 60 years

It represents the provisions that have been made against benefits of employees over 60 years on their retirement in accordance with the law.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

14. Creditors and other credit balances

	<u>30 September 2016</u>	<u>31 December 2015</u>
Accrued expenses	62,848,573	31,092,860
Suppliers and notes payable	63,840,631	45,879,798
Salaries Tax	10,609,183	8,076,340
Social insurance	1,273,505	1,111,470
Refundable deposits	764,516	1,181,371
Dividends	419,303	149,217
Due to related parties (Note 27)	-	47,379,723
Deferred revenue	-	181,300
Other creditors	10,046,637	4,877,940
	<u>149,802,348</u>	<u>139,930,019</u>
Less:		
Creditors and other credit balances - non-current portion	-	(47,379,723)
	<u>149,802,348</u>	<u>92,550,296</u>

15. Borrowings

The borrowing balance is as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Total loan amount	400,330,356	203,000,000
Less: Current portion of borrowings	<u>(53,967,716)</u>	<u>(40,600,000)</u>
Non-current portion of borrowings	<u>346,362,640</u>	<u>162,400,000</u>

Cleopatra Hospital Company S.A.E.

	<u>30 September 2016</u>	<u>31 December 2015</u>
Total loan amount	391,414,800	203,000,000
Less: Current portion of borrowings	<u>(45,137,251)</u>	<u>(40,600,000)</u>
Non-current portion of borrowings	<u>346,277,549</u>	<u>162,400,000</u>

The movement of borrowings during the period is as follows:

	<u>30 September 2016</u>			
	<u>Balance at beginning of the period</u>	<u>Proceeds during the period</u>	<u>Repaid during the period</u>	<u>Balance at the end of the period</u>
Commercial International Bank loan (1)	203,000,000	-	(20,300,000)	182,700,000
Commercial International Bank loan (2)	-	208,714,800	-	208,714,800
Total	<u>203,000,000</u>	<u>208,714,800</u>	<u>(20,300,000)</u>	<u>391,414,800</u>

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Borrowings (continued)

	31 December 2015			Balance at the end of the Period
	Balance at beginning of Period	Proceeds during the period	Repaid during the Period	
Commercial International Bank loan (1)	-	203,000,000	-	203,000,000
Total	-	203,000,000	-	203,000,000

The details of borrowings are as follows:

- (1) A loan facility of EGP 203,000,000 from the Commercial International Bank to finance 100% of the cost of equity acquisition of Cairo Specilaised Hospital. The loan will be due for repayment in ten equal semi-annual instalments commencing 30 September 2016 until 31 December 2020 at an interest rate of 2,4% in addition to the interest rate corridor declared by the Central Bank of Egypt.
- (2) A loan of EGP 230,000,000 from the Commercial International Bank (of which an amount of EGP 208,714,800 has been withdrawn up to the statement of financial position date) to finance 100% of the cost of equity acquisition of Al-Shorouk Hospital Company. The loan will be due for repayment in ten equal semi-annual instalments commencing 18 months after the first withdrawal date at an interest rate of 2,4% in addition to the interest rate corridor declared by the Central Bank of Egypt.

Main guarantees for loans no (1) and (2) above:

- The Company has pledged its shares in the Cairo Specilaised Hospital S.A.E. amounting to 52,7% in favour of the Commercial International Bank.
- Also, Care Healthcare Ltd has pledged 51% of its shares in Cleopatra Hospital in favour of the Commercial International Bank.
- On 19 January 2016, Cleopatra Hospital obtained another loan from the Commercial International Bank worth of EGP 230 million. Care Health Care Company pledged its remaining shares as a guarantee for the bank's loan of a total mortgage rate of 99,99%. In the event of Company's share capital increase, split of shares or issuance of additional shares for any reason, same shares shall remain pledged for the bank before and after the increase by 99,99% for the Company, 52,7% for Cairo Specialised Hospital Company S.A.E., 51% for Nile Badrawy Hospital S.A.E. and 100% for Al-Shorouk Hospital S.A.E. of shares acquired by the Company. The percentage of shares pledged for the bank shall not be reduced.
- Cleopatra Hospital Company pledged all its owned shares in Al-Shorouk Hospital as a guarantee for the same loan.
- Cleopatra Hospital Company pledged 51% of its owned shares in Nile Badrawy Hospital S.A.E. as a guarantee for the same loan.

Al-Shorouk Hospital S.A.E.

	30 September 2016		Total
	Borrowings	Overdraft	
Current portion	1,021,087	7,809,378	8,830,465
Non-current portion	85,091	-	85,091

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Borrowings (continued)

	31 December 2015		
	Borrowings	Overdraft	Total
Current portion	980,214	8,497,257	9,477,471
Non-current portion	891,782	-	891,782

- (3) On 25 November 2014, the Company sold the whole land and buildings (Plot No. 11, Area C) as per a preliminary contract with the International Company for Finance Lease (Incolease), provided the sale contract is not executed unless a lease agreement over the land is concluded. On the same date, the Company entered into a lease contract for 3 years whereby the Company has the right to buy the asset after the end of the lease period with 1 EGP.

The amounts due to Faisal Bank, which represent the remaining amount of the total land price amounting to 2,902,945, were paid by Incolease and leased back to Al-Shorouk Hospital Company for 3 years with a predetermined net amount equalling the amount paid to Faisal Bank after calculating the interest for 3 years. Due to the substance of this transaction, it is considered as a loan secured against the asset rather than a sale. Such a transaction is outside of the scope of the Egyptian Accounting Standard 20 "Accounting Rules and Standards Related to Finance Lease".

Accordingly, the transaction was not considered as a sale and lease-back agreement but it was considered as a loan from Incolease for 36 months - where each monthly instalment amounts to EGP 93,160 with a variable interest based on the corridor rates declared by the Central Bank of Egypt.

Main guarantees for overdraft:

Financial credit contract in overdraft account with Bank Audi

The bank has royalty right over funds related to Al-Shorouk Hospital Company S.A.E. including accounts, deposits and other funds in the possession of the bank at any given time, or under its control, or delivered, deposited or registered in the name of the bank to guarantee any payments or liabilities that are currently payable, or may be subsequently payable by the Al-Shorouk Hospital Company S.A.E.

Credit facility contract in form of overdraft account with Société Arabe Internationale de Banque

The bank has the right to withhold any amounts, papers, or endorsable documents; or any funds or bonds attributed to the Al-Shorouk Hospital Company S.A.E. received by the bank or managed by any of its branches or clients. In addition, the bank has the right to dispose and recognise them as amounts paid from Al-Shorouk Hospital Company S.A.E. to settle the balance payable or which may be accrued from time to time under the bank's books and entries. Under this explicit acknowledgement and without the need to another acknowledgement from Al-Shorouk Hospital Company S.A.E., such funds are considered as indivisible guarantee as security against amounts that may be due to or from the bank.

The average interest rate on bank overdrafts in EGP was 10% (31 December 2015: 10%).

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

16. Share capital

At 31 December 2015, the issued and paid up capital comprises 8 million shares of EGP 10 each, totalling EGP 80 million. The underwriting was as follows:

<u>Name</u>	<u>Number of shares</u>	<u>Nominal value</u>
Care Healthcare Ltd	7,999,998	79,999,980
Amr Abdul Kareem Tawheed Hilal	1	10
Walid Fayez Said	1	10
Total	8,000,000	80,000,000

On 6 April 2016, the Company's General Assembly approved the division of shares bringing the number to 160 million shares of EGP 0,5 each, totalling EGP 80 million. Accordingly, the share capital is as follows:

<u>Name</u>	<u>Number of shares</u>	<u>Nominal value</u>
Care Healthcare Ltd	159,999,996	79,999,988
Amr Abdul Kareem Tawheed Hilal	2	1
Walid Fayez Said	2	1
Total	160,000,000	80,000,000

On 2 June 2016, 40 million shares of the shares held by Care Healthcare Ltd. have been traded in the Egyptian Exchange through 2 tiers, public offering and private offering. Accordingly, the Company's shareholder structure has changed as follows:

<u>Name</u>	<u>Number of shares</u>	<u>Nominal value</u>
Care Healthcare Ltd	120,000,000	60,000,000
Private offering	32,000,000	16,000,000
Public offering	8,000,000	4,000,000
Total	160,000,000	80,000,000

In accordance with the Extraordinary General Assembly's resolution issued on 6 April 2016 whose minutes of meeting has been approved by the General Authority for Investment and Free Zones on 14 April 2016, it was approved to freeze 100% of the majority shareholder's share in Care Healthcare Ltd. on the meeting of the General Assembly until listing in the Egyptian Stock Exchange. Freezing the shares not sold through the public and/or private offering shall be effective for six months commencing on the date the Company's shares are traded in the Egyptian Stock Exchange, in addition to the freeze of 51% of the majority shareholder's share in Care Healthcare Ltd., the owner of 99,9% of the Company's shares for two financial years commencing on the date the Company's shares are traded in the Egyptian Stock Exchange, in compliance with the provisions of Clause (7) of Article (7) of listing rules of the Egyptian Stock Exchange.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Share capital (continued)

Pursuant to the resolution of the Extraordinary General Assembly meeting held on 6 April 2016, the Company's issued share capital was approved to be increased within the limits of Company's authorised share capital, provided that such increase shall be implemented after completion of the secondary offering and be capped at the same number of shares allocated for public and private offerings at the final offering price. The increase shall be funded from the proceeds of the secondary offering after liquidating the share stability account, without applying senior shareholders' priority subscription rights to the increase. Such increase shall be entirely allocated to Care Healthcare Ltd, t d. the majority shareholder, against the shares offered for the public and private offerings in accordance with the terms set out in the prospectus. Also, the Extraordinary General Assembly decided to authorise the BOD to implement this increase and amend Article 6 and Article 7 of the Company's Memorandum of Association depending on the results of the secondary offering and the related increase. The subscribers in the public and private offerings may not subscribe to this increase. Consequently, and in accordance with the minutes of the Board's meeting dated 17 July 2016 and approved by the GAFI on 21 July 2016 and the amending contract approved on 3 August 2016 registered under No. 1598 of 2016, the Company's share capital has been increased to EGP 100,000,000 fully paid and divided into 200,000,000 shares of EGP 0,5 each.

Based on the above, the issued and paid share capital was increased to EGP 20,000,000 (nominal value of 0,5% EGP/Share) through public and private offerings with proceeds totalling EGP 360,000,000 representing share capital with nominal value of EGP 20,000,000. The remaining value amounting EGP 340,000,000 was distributed as set out in Note 17(d). Shares to increase the Company's share capital were allocated on 3 August 2016 and indicated in the commercial registry dated 7 August 2016. Thus, the Company's capital structure was changed to become as follows:

<u>Name</u>	<u>Number of shares</u>	<u>Nominal value</u>
Care Healthcare Ltd.	159,999,960	79,999,980
Ahmed Al Sayyed Al Sayyed Hassan	1,200,000	600,000
Al Sayyed Al Sayyed Hassan Mousa	1,000,000	500,000
Tenth portfolio for National Investment Bank	980,000	490,000
Other shareholders	36,820,040	18,410,020
Total	200,000,000	100,000,000

Details of public and private offerings are as below:

a. Public offering

Public offering was opened on 22 May 2016 and closed at the end of business day on 30 May 2016. The number of offered shares amounted 6 million shares at offering price EGP 9 per share, totalling EGP 54,000,000. The offering was received in a number of 171,600,000 shares of total amount EGP 1,544,400,000. Thus, the covering ratio amounted 28,6 times the number of shares offered for the IPO. Allocation is made for each subscriber proportionally between the total shares offered for sale and the total shares required for purchase, taking into account rounding the fractions of numbers in favour of minority investors.

b. Private offering

A number of 14,000,000 shares totalling EGP 126,000,000 were subscribed at offering price EGP 9 per share. Care Healthcare Ltd. subscribed to the share capital increase by 20,000,000 shares totalling EGP 180,000,000 at offering price EGP 9 per share.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

17. Reserves

a. Legal reserve

In accordance with Law No. 159 of 1981 and the Company's Articles of Association, 5% of the net profit for the year shall be transferred to the legal reserve. As proposed by the Board of Directors, this transfer may be discontinued if the legal reserve reaches 50% of the issued capital. This reserve is not available for distribution to shareholders.

Below is the movement on legal reserve during the period:

	30 September 2016		
	Balance at beginning of the period	Formed during the period	Balance at the end of the period
Legal reserve	13,827,660	36,172,340	50,000,000
Total	13,827,660	36,172,340	50,000,000

In accordance with article (94) of the executive regulation of Companies Law No. 159 of 1981, an amount of EGP 32,938,637 was used from the proceeds of the public and private offerings to increase the legal reserve to equal 50% of the issued capital.

	31 December 2015		
	Balance at beginning of the period	Formed during the year	Balance at the end of the period
Legal reserve	11,367,554	2,190,106	13,827,660
Total	11,367,554	2,190,106	13,827,660

	30 September 2015		
	Balance at beginning of the period	Formed during the period	Balance at the end of the period
Legal reserve	11,367,554	-	11,637,554
Total	11,367,554	-	11,637,554

b. Acquisition reserve

This reserve represents the difference between the value of the acquisition by Cleopatra Hospital Company S.A.E. and the carrying value of net assets and liabilities of Cairo Specialised Hospital Company S.A.E. at the acquisition date, as the two companies are under common control. The reason for the acquisition is the reorganisation of the group companies. Therefore, the assets and liabilities of the subsidiary were transferred at historical cost.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Reserves (continued)

c. Special reserve

Special reserve represents the amount was due to Care Healthcare Ltd. (Parent Company). Under the letter issued by the Company on 12 April 2016, both parties have agreed that this amount shall be claimed only in the case of dissolution or liquidation of the Company, either voluntary or for any other legal reason. In that case, the due amount shall be divided between recent shareholders of the Company upon liquidation or dissolution at the same proportion of their shares in the Company's share capital to the total number of shares issued. Accordingly, this amount has been recognised as special reserve in equity.

d. Other reserves

The amount represents the amount transferred from share premium according to the requirements of Law No. 159 of 1981.

Below is the movement on reserves during the period:

	30 September 2016				
	Payment	Number of shares	Nominal value	Share capital	Share premium
Public offering	54,000,000	6,000,000	EGP 0,5	3,000,000	51,000,000
Private offering and share capital increase	306,000,000	34,000,000	EGP 0,5	17,000,000	289,000,000
Expenses of shares issued*	-	-	-	-	(30,793,116)
Transfer to legal reserve**	-	-	-	-	(32,938,673)
Total	360,000,000	40,000,000		20,000,000	276,268,211

* Expenses of shares issued amounting EGP 30,793,116 represent the expenses of offering the shares of the increase of the Company's share capital (public and private offerings) which include expenses of registration and promoting in addition to other professional and legal expenses.

** In accordance with Article (94) of the executive regulation of Companies Law No. 159 of 1981, an amount of EGP 32,938,673 was used from the proceeds of the public and private offerings to increase the legal reserve to equal 50% of the issued capital.

Below is the movement of reserves during the period:

	30 September 2016		
	Balance at 1 January 2016	Formed during the period	Balance at 30 September 2016
Legal reserve	13,827,660	36,172,340	50,000,000
Acquisition reserve	(76,131,168)	-	(76,131,168)
Special reserve	-	47,379,722	47,379,722
Other reserves	-	276,268,211	276,268,211
	(62,303,508)	359,820,273	297,516,765

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

**Notes to the consolidated financial statements
For the nine months period ended 30 September 2016**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Reserves (continued)

	31 December 2015		
	Balance at 1 January 2015	Formed during the year	Balance at 31 December 2015
Statutory reserve	11,637,554	2,190,106	13,827,660
Acquisition reserve	-	(76,131,168)	(76,131,168)
	11,637,554	(73,941,062)	(62,303,508)

18. Minority interests/ non-controlling interests

	Share capital	Legal reserve	Retained earnings	Share of minority interest on settlement of acquisition	Total
Share of minority interests in the acquisition of subsidiaries	12,787,080	8,098,271	10,130,813	103,260	31,119,424
Profit for the period	-	-	2,130,631	-	2,130,631
Balance at 31 December 2015	12,787,080	8,098,271	12,261,444	103,260	33,250,055
Balance at 1 January 2016	12,787,080	8,098,271	12,261,444	103,260	33,250,055
Share of minority interests in the acquisition of subsidiaries	5,000	2,043	1,465	8,416	16,924
Legal reserve	-	229	-	-	229
Profit for the period	-	-	7,578,898	-	7,578,898
Balance at 30 September 2016	12,792,080	8,100,543	19,841,807	111,676	40,846,106

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

19. Operating revenue

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Inpatient and medical supervision revenue	159,398,483	42,575,789	55,869,836	13,481,198
Surgeries revenue	127,339,497	46,450,336	42,053,999	16,753,639
Outpatient clinics revenue	96,650,938	45,008,855	34,259,231	15,335,988
Cardiac catheterization revenue	50,589,389	18,665,579	15,721,613	6,472,288
Laboratories revenue	51,773,419	22,006,930	19,166,249	7,766,406
Service charge revenue	32,614,056	10,630,917	11,620,566	3,755,605
Emergency revenue	28,948,067	19,738,397	9,751,238	7,024,142
Radiology revenue	27,486,847	15,185,945	9,469,583	5,576,615
Pharmacy revenue	14,850,553	4,048,252	5,050,058	1,250,020
Oncology centre revenue	11,373,638	-	3,413,127	-
Dentistry revenue	7,572,087	5,949,073	2,636,953	1,711,905
physiotherapy revenue	5,650,818	3,725,552	1,603,058	1,233,323
Endoscopy revenue	4,962,670	1,842,768	1,677,327	590,848
Heart tests revenue	4,708,525	2,633,853	1,530,008	900,973
Other departments revenues	2,661,527	-	1,286,714	-
	626,580,514	238,462,246	215,109,560	81,852,950

20. Operating costs

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Medical and pharmaceutical supplies	148,074,182	38,003,716	51,464,540	11,241,656
Doctors' fees	123,796,781	57,801,733	42,791,259	20,132,031
Employees salaries, wages and benefits	103,891,785	40,592,544	36,699,008	11,820,115
Depreciation of fixed assets	17,886,427	2,567,011	6,012,763	859,687
Maintenance, spare parts and energy costs	19,736,391	3,162,691	8,005,290	1,204,048
Food, beverage and consumables costs	15,883,128	5,195,729	6,165,132	1,446,853
Other expenses	10,156,326	1,912,210	3,655,539	364,448
	439,425,020	149,235,634	154,793,531	47,068,838

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

21. General and administrative expenses

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Employees salaries, wages and benefits	45,429,240	18,696,763	15,048,321	7,225,528
Net impairment of trade receivable	10,188,249	1,712,059	3,249,230	1,620,206
Professional and consulting fees	6,229,304	498,295	2,421,709	318,393
Amortization of intangible assets	4,012,499	-	1,337,499	-
Depreciation of fixed assets	3,146,154	2,346,185	1,055,863	778,045
Food, beverage and consumables costs	2,601,592	707,731	520,115	337,713
Maintenance, spare parts and energy costs	4,269,182	2,123,988	2,300,893	1,954,572
Rentals	1,373,849	647,000	457,955	264,364
Donations	451,267	556,040	171,487	139,890
Bank charges and expenses	712,518	305,707	520,658	91,612
Other expenses	5,905,900	1,766,284	797,745	(369,132)
	84,319,754	29,360,052	27,881,475	12,361,191

22. Other income / (expenses)

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Buffet income and cafeteria concession	1,642,456	479,117	423,047	156,011
Rent	1,333,666	107,630	380,781	31,710
Other income	1,939,450	70,728	(270,517)	5,705
	4,915,572	657,475	533,311	193,426

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

**Notes to the consolidated financial statements
For the nine months period ended 30 September 2016**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

23. Expenses by nature

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Employees salaries, wages and benefits	149,321,026	59,289,307	51,747,330	19,045,643
Medical and pharmaceutical supplies	148,074,182	38,003,716	51,464,540	11,241,656
Professional and consulting fees	6,229,304	-	2,421,709	-
Doctor fees	123,796,781	57,801,733	42,791,260	20,132,031
Depreciation of fixed assets	21,032,581	4,913,196	7,068,626	1,637,732
Maintenance, spare parts and energy costs	24,005,573	5,286,679	10,306,183	3,158,620
Food, beverage and consumables costs	18,484,720	5,903,460	6,685,247	1,784,566
Net impairment of trade receivable	10,188,249	1,712,059	3,249,230	1,620,206
Amortization of intangible assets	4,012,498	-	1,337,499	-
Other expenses	18,599,860	5,685,536	5,603,383	809,575
	523,744,774	178,595,686	182,675,006	59,430,029

24. Finance (expenses)/ income

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Finance income				
Credit interest	13,457,360	3,529,540	8,145,020	1,128,810
Currency translation differences	487,995	94,362	(14,090)	(118,403)
Total finance income	13,945,355	3,623,902	8,130,930	1,010,407
Finance costs				
Finance interest	(39,181,814)	(984,682)	(11,842,163)	(984,682)
Bank commissions	(2,258,419)	(61)	(252,350)	-
Total finance expenses	(41,440,233)	(984,743)	(12,094,513)	(984,682)
Net finance (expenses) / income	(27,494,878)	2,639,159	(3,963,583)	25,725

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

25. Income taxes

Income tax expense as shown in the statement of income is as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Current income tax for the period	21,540,620	15,080,926	7,128,916	5,605,287
Deferred tax for the period	(3,638,763)	(737,250)	(519,100)	(423,004)
	17,901,857	14,343,676	6,609,816	5,182,283

The tax on profit before taxation theoretically differs from the amount expected to be paid by applying the average tax rate applicable to the Company's profits as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Net profit before taxation	70,756,392	60,933,065	28,665,215	21,898,696
Income tax calculated based on the applicable local tax rate	15,920,188	13,709,940	6,449,673	4,927,207
Add/ (less):				
Non-deductible expenses	2,898,318	657,490	167,319	255,076
Income not subject to tax	(933,524)	(23,754)	(7,176)	-
Prior years adjustments	16,875	-	-	-
Income taxes	17,901,857	14,343,676	6,609,816	5,182,283
Effective tax rate	25,30%	23,5%	23,06%	23,7%

Current income tax liabilities

	30 September 2016	31 December 2015
Balance at 1 January	32,136,609	21,372,222
Effect of acquisition of subsidiaries	4,108,178	7,246,737
Payments made during the period / year	(32,181,674)	(21,372,222)
Tax payable during the period/ year	21,540,620	24,889,872
	25,603,733	32,136,609

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

26. Deferred tax

Change in tax assets and liabilities during the period/ year is as follows:

<u>Liabilities</u>	Balance at 1 January 2016 (liability)	Effect of acquisition of subsidiaries Asset/ (liability)	(Expense)/ income charged to the statement of income during the period	Balance at 30 September 2016 (liability)
Fixed assets	(2,129,493)	2,163,446	(402)	33,551
Fixed assets - effect of fair value	(38,579,741)	(13,719,925)	1,889,551	(50,410,115)
Intangible assets - effect of fair value	(4,801,950)	(5,177,700)	-	(9,979,650)
Total liabilities	(45,511,184)	(16,734,179)	1,889,149	(60,356,214)

Assets

Provisions, excluding claims	1,708,604	-	1,749,615	3,458,219
Net deferred tax - liability	(43,802,580)	(16,734,179)	3,638,764	(56,897,995)

Liabilities

	Balance at 1 January 2015 (liability)	Effect of acquisition of subsidiaries Asset/ (liability)	(Expense)/ income charged to the statement of income during the year	Balance at 31 December 2015 (liability)
Fixed assets	(2,297,712)	4,144,261	(3,976,042)	(2,129,493)
Fixed assets - effect of fair value	-	(38,680,936)	101,195	(38,579,741)
Intangible assets - effect of fair value	-	(4,801,950)	-	(4,801,950)
Total liabilities	(2,297,712)	(39,338,625)	(3,874,847)	(45,511,184)

Assets

Provisions, excluding claims	-	-	1,708,604	1,708,604
Net deferred tax - liability	(2,297,712)	(39,338,625)	(2,166,243)	(43,802,580)

27. Related party transactions

During the period, the Group deals with certain related parties. The Balances with related parties at the date of the financial statements as well as the transactions during the period are as follows:

Balance sheet balances

<u>Related parties</u>	<u>Nature of transaction</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
Care Healthcare Company (Parent Company)			
Creditors and other credit balances (Note 14)	financing	-	47,379,723

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

28. Tax position

Cleopatra Hospital S.A.E.

(1) General taxes

- The Company was inspected till 31 December 2013. A tax clearance certificate was obtained from the tax authority.
- Tax returns are regularly submitted on time.
- The Company was inspected for the year 2014, and form No. 19 was issued on 16 May 2016 under No. 12262. An appeal was filed against this form on 12 June 2016.
- The Company was not inspected for the year 2015.

(2) Sales taxes

- The Company was inspected till 31 December 2004.
- The Company was not inspected for the years from 2005 to 2015.

(3) Salaries Tax

- The Company was inspected till 31 December 2013. All accruals were paid and a tax clearance certificate was obtained from the tax authority.
- Tax on earning was inspected for the year 2014, and no forms were issued till the end of Q2 of 2016.
- The Company was not inspected for the year 2015.

(4) Stamp duty

- The Company was inspected till 31 July 2006 and settlement was made.
- The Company was inspected during the period from 1 August 2006 to 31 December 2013. The Company was notified, through a form No. 19s dated 23 April 2015, of tax assessment of EGP 72,966 for this period. The Company filed an objection to the assessment on 3 May 2015. The internal Committee is in the process of fixing a date to resolve this issue.
- The Company was not inspected for the years 2014 and 2015.

Cairo Sepcialised Hospital Co. S.A.E.

(1) Income tax

- The Company was inspected since the inception of activity to 2008, and all entitlements were paid.
- The Company was not inspected from the years 2009 to 2015. Tax returns were filed annually in the legal due dates.

(2) Salaries Tax

- The Company was inspected since the inception of activity to 2009, and all entitlements were paid.
- The Company was not inspected from the year 2010 till the end of the year 2015.

(3) Stamp duty

- The Company was inspected since the inception of activity to 31 July 2006, and all entitlements were paid.
- The Company was assessed on presumptive basis from August 2006 to 2014, and an appeal was filed in the legal due date. The Company was not inspected yet for the year 2015.

(4) Withholding tax

- The Company was not inspected since the beginning of activity until 2015.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Tax position (continued)

Nile Badrawi Hospital Co. S.A.E.

(1) Industrial and commercial profits tax

- Years to 2009 were settled, and all dues were paid until the end of 2009.
- Form No.19 for 2010, 2011 and 2012 was issued under No.13833 on 18 August 2015. Appeal was filed against the legal due date. The internal committee is currently taking the necessary action.
- No samples were issued for the Years 2013/ 2015 to date.

(2) Salaries Tax

- Years up to 2011 were inspected and settled. No tax is due for the years up to 2011.
- Tax settlement is in progress for the years from 2012 to 2015.

(3) Stamp duty

- Years up to 2005 were inspected and settled.
- Years from 2006 to 2015 are currently inspected.

Al Shorouk Hospital Co. S.A.E.

(1) Industrial and commercial profits tax

- The Company was inspected and the differences were paid for the period from inception till 31 December 2004. The prescription was applied to the years from 2005 till 2009. The Company was also inspected for the years from 2010 till 2014 and received the form No. 19 and an appeal was filed against this form. An internal committee is inspecting these years. The year of 2015 was not inspected.
- Tax returns are regularly submitted on time.

(2) Salaries Tax

- The Company was inspected till 31 December 2004
- There are tax differences for the years 2001 till 2004 which are still disputed. Such differences are being considered by the Committee of Appeal.
- The inspection for the years from 2005 till 2014 is now in progress.
- The Company was not inspected for the year 2015.
- The Company makes payments for different periods, but not in accordance with the fixed legal schedule.

(3) Stamp duty tax

- The Company was inspected till 31 July 2006, and settlement was made.
- The Company was inspected on presumptive basis from 1 August 2006 to 2014.
- The Company was not inspected for the year 2015.
- The Company regularly submits the tax returns on time.

CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

29. Commitments

a. Capital commitments:

Capital commitments related to fixed assets at financial year end, which are not yet due, amounted EGP 16,200,000 (31 December 2015: EGP 517,310).

b. Rental liabilities:

Rental liabilities at financial year end, which are not yet due, are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Less than 1Year	2,648,268	3,115,658
1 to 3 years	837,280	2,083,019

30. Subsequent events

In accordance with the board's resolution dated 25 August 2016, Cleopatra Hospital S.A.E. started an acquisition study to acquire the remaining shares of Cairo Specialised Hospital S.A.E. in addition to the appointment of EFG-Hermes as advisor of the Company in the acquisition process and assigning board chairman and managing director in determining their fees and fees for legal advisor and sign their contracts.